

The Chronicle of Higher Education

May 8, 2009

For Higher Education, President's Budget Adds Little, Subtracts Little

By KELLY FIELD

President Obama's budget for the Department of Education for the 2010 fiscal year would leave spending on most student-aid programs unchanged, but would largely spare higher education the program eliminations seen elsewhere in his budget.

The president's plan, released Thursday, fleshes out a budget blueprint the White House unveiled in February. The budget would provide no increase for Federal Work-Study or the Supplemental Educational Opportunity Grant program, financing the programs at the current levels of \$981-million and \$758-million, respectively.

It would also continue 2009 spending levels for career- and technical-education programs and the TRIO and Gear Up programs, which prepare low-income students for college.

Institutions that serve minority students—including historically black colleges and universities, tribal colleges, and Hispanic-serving institutions—would see a slight bump in aid, with most programs for those colleges getting a 5-percent increase. However, the programs would still face steep budget cuts next year, when supplemental money appropriated by Congress two years ago is scheduled to run out.

Over all, the budget is much more generous to higher education than President Bush's final budget proposal, which called for terminating 47 education programs, including the Supplemental Educational Opportunity Grant and the Perkins Loan program. While President Obama's budget would eliminate 12 Education Department programs worth \$550-million, only one of them is a postsecondary program: the \$66-million College Access Challenge Grant program, which provides matching grants to states for programs aimed at enrolling and graduating underrepresented students. And the president would more than make up for the cut with a proposed \$2.5-billion fund for college access and completion.

Mr. Obama's budget would also increase the maximum Pell Grant by \$200, to \$5,500. President Bush had proposed only a \$69 increase.

Details on Pell Grants

Still, some student-aid advocates said they were disappointed that the president didn't offer more to college-preparation programs, given his goal for every American to complete at least one year of college, and for the United States to lead the world in college-completion rates by 2020. As

Arnold Mitchem, president of the Council for Opportunity in Education, put it, "low-income students need academic and personal support if they are to enter and succeed in college."

"For taxpayers to get an appropriate return on the billions of dollars they are investing in student financial aid, a real investment in support programs like TRIO and GEAR Up is required," he said.

The budget also provides additional details about the president's proposals to make Pell Grants mandatory and remake the Perkins Loan program. Those proposals were included in the February blueprint but have not yet been considered by Congress.

Under the president's plan, Pell Grants would become an "appropriated entitlement," meaning that Congress would retain a role in setting spending levels. The maximum award would automatically increase at a rate equal to that of the Consumer Price Index plus a percentage point each year, but Congress could choose to provide additional Pell aid or enact a law that changed how the maximum award is set, Education Department officials told reporters Thursday.

The Pell Grant program already operates as a quasi-entitlement, in that all students who qualify for a grant receive one. But financing is set through the annual appropriations process, and spending levels are based on projections made far in advance of when students receive the awards. When money is tight or the political climate is unfavorable, the maximum award stagnates and occasionally shrinks.

Previous versions of the president's Pell proposal had referred only to making the grants an "entitlement." The addition of the adjective "appropriated" appears designed to appease leaders of the appropriations committees, who have been reluctant to cede control over the politically popular program.

On Perkins Loans, the president has called for increasing the program's budget from \$1-billion to \$6-billion and rewriting the formula used to allocate the money among colleges. The budget leaves it up to Congress to revise that formula, but notes that the administration intends the formula to "encourage colleges to control costs and offer need-based aid" and "reward schools that enroll and graduate students from low- and middle-income families."

Changes in Federal Aid Programs

The budget doesn't add much to the President's proposal to do away with the bank-based guaranteed-loan program and shift all student loans to the Education Department's competing Direct Loan program. However, the document does predict that the government's loan-purchase programs—created in the wake of the credit crunch to free up capital for student loans and designed to be budget neutral—will in fact make the government billions. Lenders are certain to seize on those projections as they seek to persuade lawmakers to make the programs permanent, rather than ending guaranteed loans, which have until recently been profitable for lenders. Sallie Mae has suggested that the government create a permanent loan-purchase program as an alternative to ending the guaranteed-loan program.

"This shows that if you continued the programs, or made them permanent, it would produce savings" to taxpayers, said Peter Warren, president of the Education Finance Council, an association of nonprofit and state-based student-loan providers.

The budget now moves to the Congressional appropriations committees, where lawmakers will decide whether to add or subtract money from the president's request. Meanwhile, the proposal to end guaranteed loans and to make Pell Grants an entitlement is in the hands of the education committees, which have been instructed to slice \$1-billion from programs under their jurisdiction. Members of those committees have until mid-October to decide whether they will seek those savings through the elimination of guaranteed lending or through less drastic changes to the student-loan programs.